

**OFFICIAL
DOCUMENTS**

LOAN NUMBER 8458-CN

Project Agreement

(Guilin Integrated Environment Management Project)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

GUANGXI ZHUANG AUTONOMOUS REGION

Dated *April 1* **, 2015**

PROJECT AGREEMENT

Agreement dated April 1, 2015, entered into between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and the GUANGXI ZHUANG AUTONOMOUS REGION ("Project Implementing Entity") ("Project Agreement") in connection with the Loan Agreement ("Loan Agreement") of same date between PEOPLE'S REPUBLIC OF CHINA ("Borrower") and the Bank. The Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I—GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Loan Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Loan Agreement or the General Conditions.

ARTICLE II—PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objective of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article V of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III—REPRESENTATIVE; ADDRESSES

- 3.01. The Project Implementing Entity's Representative is its Chairman or a Vice-Chairman or such other person as said Chairman or a Vice-Chairman shall designate in writing, and the Project Implementing Entity shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.
- 3.02. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Cable:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

3.03. The Project Implementing Entity's Address is:

Guilin City Development Reform Commission
No. 8 Diecai Road, Guilin
Guanxi Zhuang Autonomous Region

Facsimile:

86 (0773) 2833143

AGREED at Beijing, People's Republic of China, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By



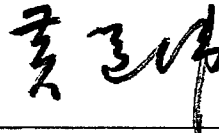
Authorized Representative

Name: Bert Hofman

Title: Country Director, China

GUANGXI ZHUANG AUTONOMOUS REGION

By



Authorized Representative

Name: Huang Dawei

Title: Executive Vice Chairman

SCHEDULE

Execution of the Project

Section I. Institutional and Implementation Arrangements

A. Institutional Arrangements

1. In order to ensure the proper carrying out of the Project, the Project Implementing Entity, through Guilin Municipality, shall maintain, throughout the period of implementation of the Project the following groups and offices, with membership, terms of reference, staffing and other resources acceptable to the Bank:
 - (a) The Project Leading Group, to provide leadership, policy guidance and coordination on the preparation and implementation of the Project.
 - (b) The Project Management Office, responsible for the overall implementation of the Project, including procurement, financial management, supervision, and monitoring and evaluation of the progress of the Project.
 - (c) The EAMMO, responsible for the overall implementation of Part 4 of the Project, including procurement, financial management, supervision, and monitoring and evaluation of the progress of Part 4 of the Project.
2. For the purpose of assisting the Project Implementing Entity with the carrying out of Parts 1 through 3 of the Project, the Project Implementing Entity, through Guilin Municipality, shall enter into an agreement (the "Subsidiary Agreement - GWSC" and the "Subsidiary Agreement - GSC") with each of GWSC and GSC: (i) on the principal terms set forth in paragraphs 1 through 3 of Annex A to this Schedule; and (ii) under conditions which shall have been approved by the Bank, and which shall include, without limitation, those set forth in paragraphs 4 through 9 of Annex A to this Schedule.
3. The Project Implementing Entity, through Guilin Municipality, shall exercise its rights under the Subsidiary Agreement - GWSC and the Subsidiary Agreement - GSC in such manner as to protect the interests of the Borrower and the Bank, and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, not assign, amend, abrogate or waive said agreements or any provision thereof.
4. Throughout the implementation of the Project, the Project Implementing Entity, through Guilin Municipality shall apply, and cause each of GWSC and GSC to apply, the Project Management Manual in a timely and efficient manner satisfactory to the Bank. The Project Implementing Entity, through Guilin Municipality, shall not, and shall cause each of GWSC and GSC not to amend, suspend, or waive said Project Management Manual or any provision or schedule thereof, without the prior written concurrence of the Bank. In the event of any inconsistency between the terms of the Project Management Manual and those of this Agreement or the Loan Agreement, the provisions of this Agreement and the Loan Agreement shall prevail.

B. Anti-Corruption

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Safeguards

1. In carrying out the Project, the Project Implementing Entity, through Guilin Municipality shall, and shall cause each of GWSC and GSC, as applicable, to:
 - (a) take all necessary actions to minimize to the extent possible any involuntary loss by persons of shelter, productive assets or access to productive assets or income or means of livelihood, temporarily or permanently, and the displacement of said people in the carrying out of the Project or any part thereof;
 - (b) where the acquisition of land or assets or the displacement of people is unavoidable, before initiating the implementation of any works which would result in such acquisition or displacement, make available to such people compensation and, as applicable, relocate and rehabilitate the Displaced Persons in accordance with the RAP and in a manner satisfactory to the Bank; and
 - (c) whenever required in terms of the RPF, proceed to have an Additional RAP or RAPs: (i) prepared in form and substance satisfactory to the Bank; (ii) except as otherwise agreed with the Bank, submitted to the Bank for review and approval; (iii) thereafter, adopted and publicly disclosed; and (iv) thereafter, to implement, or cause to be implemented, such Additional RAP or RAPs in accordance with their terms and in a manner acceptable to the Bank.
2. The Project Implementing Entity shall, and shall cause each of GWSC and GSC to, implement, as applicable, the Safeguards Instruments in a manner and substance satisfactory to the Bank. Without limitation on the foregoing, the Project Implementing Entity, shall ensure that each contract for works financed with the proceeds of the Loan shall include the obligations of the work contractors and any sub-contractor to comply with the relevant provisions of the EMP.
3. The Project Implementing Entity shall not, and shall cause each of GWSC and GSC not to, amend, suspend, fail to implement or waive the Safeguards Instruments, or any provision thereof, without the prior written concurrence of the Bank.
4. The Project Implementing Entity shall, and shall cause each of GWSC and GSC to, maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Bank, the implementation of the Safeguards Instruments.
5. At least twelve (12) months prior to commissioning of the sludge management center under Part 3.1 of the Project, the Project Implementing Entity shall, and shall cause GSC, to: (a) carry out a least cost analysis for sludge management and afford the Bank a reasonable opportunity to exchange views and make recommendations on said analysis;

- (b) select the site for the construction of the sludge management center, in accordance with the criteria and the process set forth in the ESMP; (c) proceed to have the EMP updated in form and substance satisfactory to the Bank, submitted to the Bank for review and approval, and thereafter, adopted and publicly disclosed.
6. Without limitation to the provisions of paragraphs C.1 through C.5 of this Section I or the provisions of paragraph A.1 of Section II below, the Project Implementing Entity, through Guilin Municipality, shall, and shall cause each of GWSC and GSC to, take all measures necessary on their part to regularly collect, compile, and submit to the Bank, as part of the Project Reports, information on the status of compliance with the Safeguards Instruments, giving details of:
- (a) measures taken in furtherance of the Safeguards Instruments;
 - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguard Instruments; and
 - (c) remedial measures taken or required to be taken to address such conditions.
7. In the event of any inconsistency between the provisions of the Safeguards Instruments and the provisions of this Agreement or the Loan Agreement, the provisions of this Agreement and the Loan Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation.

A. Project Reports

- 1. The Project Implementing Entity shall, and shall cause each of GWSC and GSC to, monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of the indicators set forth in the Project Management Manual. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Bank and the Borrower not later than sixty (60) days after the end of the period covered by such report.
- 2. The Project Implementing Entity shall provide to the Borrower, not later than three months after the Closing Date, for incorporation in the report referred to in Section 5.08 (c) of the General Conditions all such information as the Borrower or the Bank shall reasonably request for the purposes of that Section.

B. Financial Management, Financial Reports and Audits

- 1. The Project Implementing Entity shall, and shall cause each of GWSC and GSC to, maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Project.

2. Without limitation to the provisions of Section II.A hereof, the Project Implementing Entity shall prepare and furnish to the Bank, not later than sixty (60) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.
3. The Project Implementing Entity shall have, and shall cause each of GWSC and GSC to have, its financial statements referred to above audited by independent auditors, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Borrower and the Bank not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Bank.

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement.

Section IV. Other Undertakings

A. Financial and Operational Sustainability

1. Except as the Bank shall otherwise agree, the Project Implementing Entity, through Guilin Municipality, shall cause each of GWSC and GSC to generate, for each of the Fiscal Years starting 2015, total revenues equivalent to not less than its total operating expenses, excluding depreciation.
2. (a) The Project Implementing Entity, through Guilin Municipality shall, before October 31 in each of the Fiscal Years starting 2015, furnish to the Bank a review on the basis of the GWSC's and GSC's forecasts satisfactory to the Bank, on how they would meet the requirements set forth in Section IV.A.1 above in respect of the following Fiscal Year.

(b) If any of the reviews referred to in the preceding paragraph shows that GWSC and/or GSC would not meet the requirements of Section IV.A.1 above for the Fiscal Years covered by such review, the Project Implementing Entity, through Guilin Municipality, shall promptly take, and cause the GWSC and/or GSC to take, all necessary measures in order to meet such requirements.
3. For the purposes of this Section IV.A:
 - (a) The term "total revenues" means the sum of total operating revenues and net non-operating income.

- (b) The term "total operating revenues" means revenues from all sources related to operations.
- (c) The term "net non-operating income" means the difference between:
 - (i) revenues from all sources other than those related to operations; and
 - (ii) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (a) above.
- (d) The term "total operating expenses, excluding depreciation" means all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes.

**ANNEX
to the
SCHEDULE**

**Principal Terms and Conditions of the
Subsidiary Agreement - GWSC
and the
Subsidiary Agreement - GSC**

For purposes of Section I.A.2 of the Schedule to this Agreement: (a) the terms of availability of the Loan proceeds shall be those set forth in paragraphs 1 through 3 of this Annex; and (b) the Subsidiary Agreement - GWSC and the Subsidiary Agreement - GSC shall be entered into on the conditions set forth in paragraphs 4 through 9 of this Annex.

Terms of Availability of the Loan

1. The principal amount of each subsidiary loan made by the Project Implementing Entity, through Guilin Municipality, to each of GWSC and GSC, shall be the amount equivalent in Dollars (on the respective dates of withdrawal from the Loan Account) of the value of the currency or currencies so withdrawn on account of Part 1 (with respect to GWSC) and Parts 2 and 3 (with respect to GSC) of the Project.
2. Each of GWSC and GSC shall repay such principal amount (including the fee paid pursuant to Section 2.03 of the Loan Agreement and any premium for Interest Rate Caps or Interest Rate Collars paid pursuant to Section 2.08(c) of the Loan Agreement and Section 4.05(c) of the General Conditions) over a period of not more than twenty five years, inclusive of a grace period of ten years.
3. Each of GWSC and GSC shall pay interest on the principal amount thereof withdrawn and outstanding from time to time at a rate not less than the rate of interest applicable from time to time to the Loan pursuant to Section 2.05 of the Loan Agreement.

Conditions

The Subsidiary Agreement - GWSC and the Subsidiary Agreement - GSC shall include the following principal conditions:

4. Each of GWSC and GSC shall undertake to: (a) carry out Part 1 (GWSC) and Parts 2 and 3 (GSC) of the Project with due diligence and efficiency and in accordance with appropriate management, financial, engineering and public utility practices and social and environmental standards acceptable to the Bank (including in accordance with the provisions of the Project Management Manual and the Anti-Corruption Guidelines) and provide, promptly as needed, the funds, facilities and other resources required for the purpose; and (b) without limitation on the foregoing, take all measures necessary to ensure that Parts 1 (GWSC) and 2 and 3 (GSC) of the Project shall be implemented in accordance with the Safeguards Instruments.

5. Each of GWSC and GSC shall undertake to procure the goods, works and consultants' services to be financed out of the proceeds of the Loan in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement, and utilize such goods, works and consultants' services exclusively in the carrying out of Parts 1 (GWSC) and Parts 2 and 3 (GSC) of the Project.
6. Each of GWSC and GSC shall undertake to enable the Bank, the Borrower and the Project Implementing Entity to inspect such goods and the sites and works included in Parts 1 (GWSC), 2 and 3 (GSC) of the Project, the operation thereof, and any relevant records and documents.
7. Each of GWSC and GSC shall undertake: (a) to take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice, including, without limitation, such insurance to cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable to replace or repair such goods; and (b) to properly operate and maintain all facilities relevant to Parts 1 (GWSC), 2 and 3 (GSC) of the Project and, when needed, promptly make repairs and renewals of such facilities.
8. Each of GWSC and GSC shall undertake:
 - (a) To maintain records and accounts adequate to reflect, in accordance with sound accounting practices, their operation and financial condition.
 - (b) To have their financial statements for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank.
 - (c) To furnish to the Bank, as soon as available but in any case not later than six (6) months after the end of each Fiscal Year: (i) certified copies of said financial statements or records, as the case may be, for such year as so audited pursuant to sub-paragraph (b) of this paragraph; and (ii) an opinion on such statements by said auditors in such scope and detail as the Bank shall have reasonably requested.
 - (d) To prepare and furnish to the Bank, the Borrower and the Project Implementing Entity all such other information concerning said records and financial statements, as well as the audit thereof, as the Bank, the Borrower and the Project Implementing Entity shall reasonably request.
 - (e) To maintain policies and procedures adequate to enable them to monitor and evaluate on an ongoing basis, in accordance with indicators set forth in the Project Management Manual, the carrying out of Parts 1 (GWSC), 2 and 3 (GSC) of the Project and the achievement of the objectives thereof.
 - (f) To prepare, under terms of reference satisfactory to the Bank, and furnish to the Project Implementing Entity for its review, consolidation in the Project Reports,

and submission to the Bank, semi-annual reports integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (e) of this Section 8, on the progress achieved in the carrying out of Parts 1 (GWSC), 2 and 3 (GSC) of the Project during the period preceding the date of each such report.

9. Each of GWSC and GSC shall undertake to: (a) generate, for each of the Fiscal Years starting 2015, total revenues equivalent to not less than their total operating expenses, excluding depreciation; and (b) take all necessary measures in order to meet such requirement.
10. The Project Implementing Entity, through Guilin Municipality, shall have the right to suspend or terminate the right of GWSC and/or GSC to the use of the proceeds of the Loan made available under the Subsidiary Agreement - GWSC and/or the Subsidiary Agreement - GSC, upon failure by GWSC and/or GSC to perform any of their obligations under said agreement(s).